

Washington Department of Revenue  
Property Tax Division

**2008 Review  
of the  
Current Use Program  
in Spokane County**



*July 2008*

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# Overview

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## Purpose

The primary purpose of this review by the Department of Revenue (Department) is to assist the Spokane County Assessor (Assessor) and county legislative authority in successfully performing the duties associated with the Current Use Program. An effective review of the methods employed by Spokane County in administering the Current Use Program will promote fair, timely, and uniform property tax assessments.

In March 2008, the Department conducted an on-site visit to the Assessor's Office.

The Department has completed its review, and the findings are grouped into two categories:

- The first section, *Requirements*, is of the greatest urgency for effective administration by the Assessor and the county legislative authority. Adherence to these requirements is mandatory.
- The second section, *Recommendations*, requires the attention of the Assessor and the county legislative authority. It is noted as being in the best interest of all parties that if improvements in these areas can be made it will improve service to the public.

Once the Assessor and the county legislative authority receive a final copy of this review, the Department will conduct a follow-up in six months to determine the changes that were implemented. This will also provide an opportunity for the Assessor and the county legislative authority to provide information to the Department on various issues they encountered during the implementation process.

We commend the Assessor and the staff for their willingness to look at changes to improve the uniformity and administration of the Current Use Program.

# Executive Summary

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## About This Review

This report contains the results of the Department's review of the Current Use Program in Spokane County.

During the 2008 review, the Department identified two requirements and three recommendations directed toward improving the administration of the county's Current Use Program. A summary of these findings is listed below:

### Requirements

- 1. The Assessor is required to collect the necessary data to accurately appraise farm and agricultural land.**
- 2. The Assessor is required to use the prescribed methodology for valuing home sites on parcels 20 or more acres in the farm and agricultural classification of the Current Use Program.**

### Recommendations

- 1. The Department recommends the Assessor initiate an internal audit program to ensure that only those parcels meeting the statutory requirements are eligible to continue in the Current Use Program and as designated forest land.**
- 2. The Department recommends the Assessor inform the public of the availability of the farm and agricultural conservation land subcategory under the open space classification.**
- 3. The Department recommends the Assessor and staff, along with members of the county legislative authority, attend the Basic Current Use Class and the Current Use Administrative Workshop offered by the Department.**

# Requirements

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**The Assessor is required to collect the necessary data to accurately appraise farm and agricultural land. (RCW 84.34.065.)**

The per acre current use value of farm and agricultural land is computed by dividing net cash rental by the capitalization rate. The Department provides the capitalization rate each year, but the county Assessor must calculate net cash rental. Net cash rental is defined as the average rental paid on an annual basis, in cash, for the land being appraised and other farm and agricultural land of similar quality and similarly situated that is available for lease for a period of at least three years to any reliable person without unreasonable restrictions on its use for production of agricultural crops. If net cash rental data is not available, the earning or productive capacity of farm and agricultural lands is determined by the cash value of typical or usual crops grown on land of similar quality and similarly situated averaged over not less than five years.

The following sources can be used in obtaining lease and productive capacity information for farmland and grazing land:

- Surveys of local farmers and ranchers
- Farm advisory board
- Spokane County Auditor's Office
- American Society of Farm Managers and Rural Appraisers <[www.asfmra.org](http://www.asfmra.org)>
- Washington State University <[www.farm-mgmt.wsu.edu](http://www.farm-mgmt.wsu.edu)>
- National Agricultural Statistics Service <[www.nass.usda.gov](http://www.nass.usda.gov)>
- Washington State Department of Natural Resources <[www.dnr.wa.gov](http://www.dnr.wa.gov)>

If an insufficient number of leases are available, then the Assessor must calculate net cash rental by the actual or estimated earning or productive capacity of land. When calculating net cash rental, the value of government subsidies must be included if the subsidies are based on the earning or productive capacity of the land. (WAC 458-30-260.) Based on discussions with the Assessor's office, it appears the value of government subsidies are not being included in this calculation.

According to the Assessor, the productive capacity of land is based on a soil classification series. A soil classification series can be one variable in determining productive capacity, but collecting actual production information is a more accurate measure. By periodically gathering current production information from local farmers and other available sources, the Assessor will be able to determine if the soil classification series currently being used is accurate.

The primary agricultural commodity types for Spokane County are wheat, barley, hay, alfalfa, and pasture land. The Department annually provides wheat and barley prices to the Assessors. For hay and alfalfa, the Department suggests sending questionnaires to local farmers to gather

production yields and fertilizer, freight, storage, and management expenses. The U.S. Department of Agriculture and the Washington State University Cooperative Extension also collect production yield data. The Assessor could also contact neighboring counties that have similar agricultural types for guidance on how they collect information about productive capacity.

Another available resource for production information would be the farm advisory board in Spokane County. The farm advisory board does not give advice regarding the valuation of specific parcels; however, it may supply the Assessor with advice on typical crops, land quality, and net cash rental assessments to assist the Assessor in determining appropriate values.

Annually gathering data on the expenses and productive capacity of farm and agricultural lands ensures that taxpayers are not shouldering a disproportionate amount of the property tax.

**The Assessor is required to use the prescribed methodology for valuing home sites on parcels 20 or more acres in the farm and agricultural classification of the Current Use Program. (WAC 458-30-317.)**

The land on which the principal residence of the farm operator or owner of farm and agricultural land and the housing for farm and agricultural employees are situated may be classified as farm and agricultural land.

In order to qualify for the reduction in assessed value, the land on which the residence or housing stands must be 20 or more acres or consist of multiple parcels that are contiguous and total 20 or more acres. The residence or housing must also be integral to the use of the classified land for commercial agricultural purposes. If the use of the residence or housing for employees is *not* integral to the farming operation, the land on which the residence or housing stands is valued at its true and fair value.

Qualifying *land* on which the principal residence of a farm operator or owner of farm and agricultural land or the housing for farm and agricultural employees is situated is valued by adding the prior year's average value of classified farm and agricultural land in the county to the value of any land improvements used to serve the residence or housing, such as sewer, water, and power. However, *buildings* used by the farm operator or owner as his or her principal residence and building(s) used to provide shelter to farm and agricultural employees are valued at their true and fair value.

According to the appraiser, qualifying home sites in Spokane County are being valued based on a soil series classification. In addition, land improvements are not treated as separate components of value so are not added to the prior year's average value of classified farm and agricultural land as required in WAC 458-30-317.

A soil series classification may be considered in determining the productive or earning capacity of classified land but it is not the prescribed method of valuing the home site of the principal residence of the operator or owner of the land. The land under the qualifying residence is calculated by adding the value of land improvements, such as sewer, water, and power to the

prior year's average value of classified farm and agricultural land in the county. The prior year's average value of classified farm and agricultural land in the county is calculated by dividing the prior year's farm and agricultural land value by the prior year's total acreage in the farm and agricultural classification. Since Spokane County revalues parcels annually, the Assessor must update this calculation annually and apply it to all qualified home sites classified as farm and agricultural land in the Current Use Program.

The prescribed valuation methodology for qualifying home sites only applies to home sites on parcels in the farm and agricultural land classification that are 20 acres or more. According to the appraiser, all home sites on parcels in the farm and agricultural land classification are given this reduced value. If a home site is on a parcel that qualifies for the farm and agricultural land classification but is less than 20 acres, the home site is valued at its true and fair value. If a home site is on a parcel that qualifies for the farm and agricultural land classification and the parcel is 20 acres or more, it is valued at true and fair value only if it is *not* integral to the farming operation.

## Recommendations

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**The Department recommends the Assessor initiate an internal audit program to ensure that only those parcels meeting the statutory requirements are eligible to continue in the Current Use Program and as designated forest land. (RCW 84.34.121.)**

One of the tools available to the Assessor to ensure that only eligible parcels continue to qualify for the Current Use Program and as designated forest land is to develop an internal audit program. An internal audit program is not statutorily required, but the criterion for classification continues to apply even after the applications have been approved. Therefore, the Assessor may request any relevant data or information that will assist them in determining whether the land is eligible for continued classification. (WAC 458-30-270.)

Some of the relevant data or information the Assessor can collect include:

- Receipts from sales of agricultural products produced on the classified land.
- Federal income tax returns.
- Rental or lease agreements/receipts.
- Government payments and subsidies.
- Crop and livestock data.
- Other income/expense information related to the land.

The Assessor can be creative when developing an internal audit program. Relevant data/information can be obtained either through physical inspections or by questionnaires mailed to owners. The frequency of an audit does not have to occur annually but should occur on a regularly planned basis.

If done by mail, the Assessor can send a written request for the data/information, and the owner has 60 days to submit the requested data/information. If there is no response to the first request within 60 days, the Assessor can send a second written request for the data/information by certified mail, and the owner has 30 days to submit the requested data/information. If the owner fails to respond to the second request, the Assessor may begin the process to remove the land from classification. (WAC 458-30-270.)

Monitoring all parcels in the Current Use Program and as designated forest land on a periodic basis will add integrity to the assessment process and ensure that certain taxpayers are not shouldering a disproportionate amount of the property tax.

**The Department recommends the Assessor inform the public of the availability of the farm and agricultural conservation land subcategory under the open space classification. (RCW 84.34.160 and RCW 84.34.020(8))**

According to chapter 84.34 RCW, the Department must prepare and make available to the Assessor's office the necessary forms, publications, and applications for the Current Use Program and as designated forest land. These forms and publications are available on the Department of Revenue website at <[www.dor.wa.gov](http://www.dor.wa.gov)>. The Assessor and county legislative authority are required to publicize the qualifications and provide the forms to owners who want to apply for these programs.

Farm and agricultural conservation land is a subcategory of the open space classification. The county legislative authority must approve all applications for both of these deferral programs. Once an audit program is adopted, the Assessor may begin receiving inquiries from property owners who no longer qualify for the farm and agricultural land classification. The farm and agricultural conservation land subcategory may be a viable option for some of those property owners. In order for a property owner to qualify for farm and agricultural conservation land subcategory, one of the following criteria must be met:

- 1) Land that was previously classified as farm and agricultural, but no longer meets the criteria; or
- 2) Land that is traditional farmland that is not classified, has not been irrevocably devoted to a use inconsistent with agricultural uses, and that has a high potential for returning to commercial agriculture.

A cost-effective method of providing information to the public about the farm and agricultural conservation land subcategory is through the Spokane County website. The Department reviewed the Assessor's website and found extensive information about the Current Use Program; however, there was no information on farm and agricultural conservation land.

**The Department recommends the Assessor and staff, along with members of the county legislative authority, attend the Basic Current Use Class and the Current Use Administrative Workshop offered by the Department.**

Since the Current Use Program and designated forest land can be difficult to administer, the Department recommends that someone from the Assessor's staff and a member of the county legislative authority attend one of the current use classes the Department offers each year.

Attending one of these classes will provide an opportunity for gaining information about these programs and will also encourage discussion with other counties about their administrative processes.

The Washington State Association of County Assessors' Education Committee annually awards scholarships to county employees to assist with the cost of attending various assessment-related classes. For more information about these scholarships, contact the Current Use Specialist at (360) 570-5900.